

MANNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Manning Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Brian Irlbeck	President	2006
Mindi Boyle	Board Member	2006
Scott Hodne	Board Member	2007
John Opperman	Board Member	2008
Kimberly Fara	Board Member	2008

Board of Education (After September 2006 Election)		
Kimberly Fara	President	2008
Scott Hodne	Board Member	2007
John Opperman	Board Member	2008
Larry Lesle	Board Member	2009
Brian Irlbeck	Board Member	2009

School Officials

Roger Schmiedeskamp	Superintendent	2007
Dottie Schiltz	District Secretary and Treasurer	2007
Ahlers & Cooney, P.C.	Attorney	2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Manning Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Manning Community School District, Manning, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Manning Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

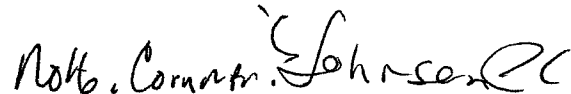
In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2008 on our consideration of the Manning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,927,979 in fiscal 2006 to \$4,264,199 in fiscal 2007, while General Fund expenditures increased from \$3,824,363 in fiscal 2006 to \$4,068,246 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$643,843 in fiscal 2006 to \$839,796 in fiscal 2007, a 30.4% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Manning Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Manning Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Manning Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

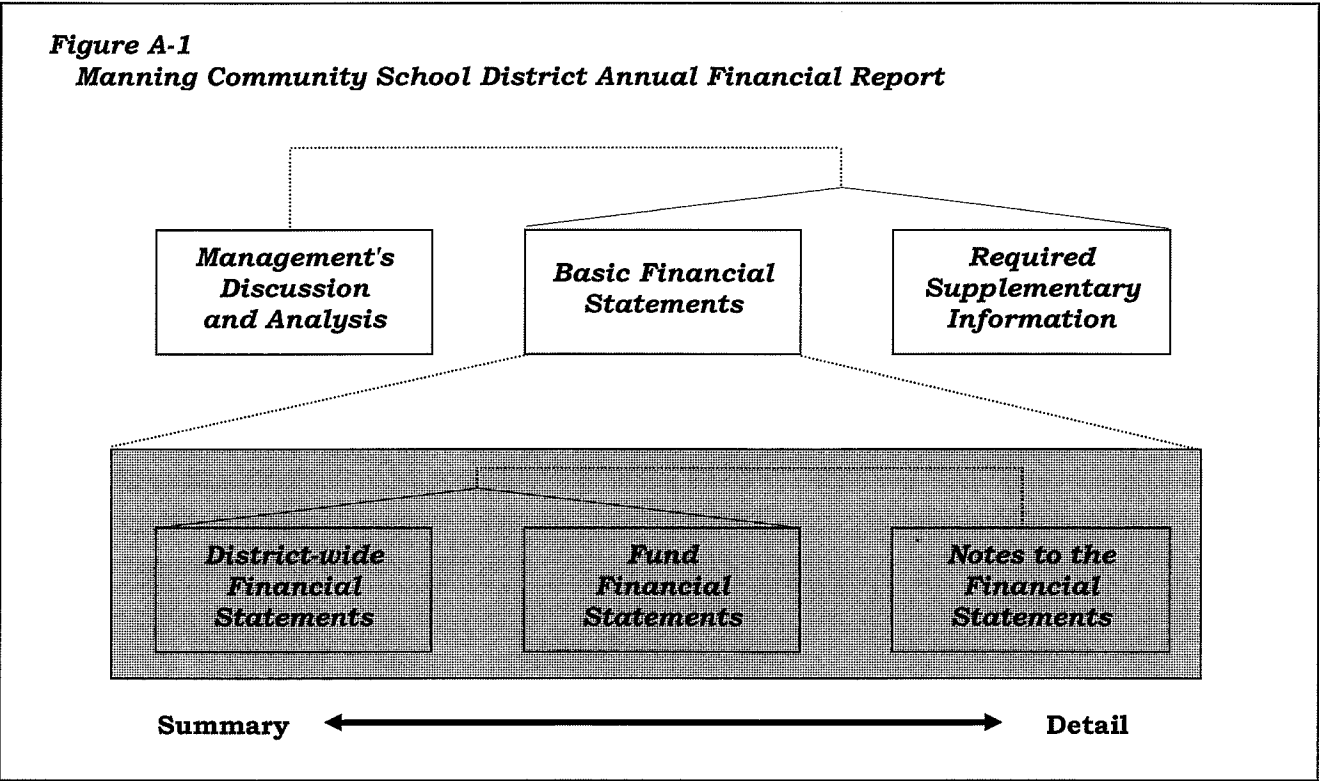


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 4,323,149	4,370,974	9,206	26,528	4,332,355	4,397,502	-1.48%
Capital assets	1,853,245	1,744,889	60,637	41,334	1,913,882	1,786,223	7.15%
Total assets	6,176,394	6,115,863	69,843	67,862	6,246,237	6,183,725	1.01%
Long-term obligations	124,853	187,293	0	0	124,853	187,293	-33.34%
Other liabilities	2,972,258	3,172,214	4,644	4,676	2,976,902	3,176,890	-6.30%
Total liabilities	3,097,111	3,359,507	4,644	4,676	3,101,755	3,364,183	-7.80%
Net assets:							
Invested in capital assets, net of related debt	1,728,392	1,626,513	60,637	41,334	1,789,029	1,667,847	7.27%
Restricted	442,793	459,095	0	0	442,793	459,095	-3.55%
Unrestricted	908,098	670,748	4,562	21,852	912,660	692,600	31.77%
Total net assets	\$ 3,079,283	2,756,356	65,199	63,186	3,144,482	2,819,542	11.52%

The District's combined net assets increased by 11.52%, or \$324,940, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$16,302, or 3.55% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$220,060, or 31.77%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 699,660	536,082	127,391	128,936	827,051	665,018	24.37%
Operating grants and contributions and restricted interest	508,941	484,729	83,950	78,296	592,891	563,025	5.30%
General revenues:							
Local tax	1,315,460	1,271,887	0	0	1,315,460	1,271,887	3.43%
Local option sales and service tax	289,662	125,308	0	0	289,662	125,308	131.16%
Unrestricted state grants	1,876,740	1,910,600	0	0	1,876,740	1,910,600	-1.77%
Other	288,819	120,546	159	255	288,978	120,801	139.22%
Transfers	(93,431)	0	0	0	(93,431)	0	-100.00%
Total revenues	4,885,851	4,449,152	211,500	207,487	5,097,351	4,656,639	9.46%
Program expenses:							
Governmental activities:							
Instruction	2,760,950	2,596,326	0	0	2,760,950	2,596,326	6.34%
Support services	1,459,360	1,307,896	0	0	1,459,360	1,307,896	11.58%
Non-instructional programs	5,684	0	209,487	211,290	215,171	211,290	1.84%
Other expenses	336,930	238,071	0	0	336,930	238,071	41.53%
Total expenses	4,562,924	4,142,293	209,487	211,290	4,772,411	4,353,583	9.62%
Change in net assets	322,927	306,859	2,013	(3,803)	324,940	303,056	7.22%
Net assets beginning of year	2,756,356	2,449,497	63,186	66,989	2,819,542	2,516,486	12.04%
Net assets end of year	\$ 3,079,283	2,756,356	65,199	63,186	3,144,482	2,819,542	11.52%

In fiscal 2007, property tax and unrestricted state grants account for 65.3% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$5.1 million of which \$4.9 million was for governmental activities and \$.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 9.46% in revenues and a 9.62% increase in expenses. The increase in expenses was related to the increase in the negotiated salaries and benefits during the year.

Governmental Activities

Revenues for governmental activities were \$4,885,851 and expenses were \$4,562,924. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,760,950	2,596,326	6.34%	1,690,290	1,710,148	-1.16%
Support services	1,459,360	1,307,896	11.58%	1,459,360	1,307,896	11.58%
Non-instructional	5,684	0	100.00%	5,684	0	100.00%
Other expenses	336,930	238,071	41.53%	198,989	103,438	92.38%
Totals	<u>\$ 4,562,924</u>	<u>4,142,293</u>	<u>10.15%</u>	<u>3,354,323</u>	<u>3,121,482</u>	<u>7.46%</u>

- The cost financed by users of the District's programs was \$699,660.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$508,941.
- The net cost of governmental activities was financed with \$1,315,460 in local tax, \$289,662 in local option sales and services tax, \$1,876,740 in unrestricted state grants and \$157,290 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$211,500 and expenses were \$209,487. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Manning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,231,254, above last year's ending fund balances of a \$1,122,956. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the local option sales and services tax monies.

Governmental Fund Highlights

- The District's improving General Fund financial position from is the product of many factors:
 - Increase in local sources during the year resulted in an increase in revenues.
 - The increase in expenditures was primarily due to the increase in the negotiated salaries and benefits.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$63,186 at June 30, 2006 to \$65,199 at June 30, 2007, representing an increase of 3.2%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$201,258 more than budgeted revenues, a variance of 4.1%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,913,882, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 7.15% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$146,923.

The original cost of the District's capital assets was \$5,371,717. Governmental funds account for \$5,258,317 with the remainder of \$113,400 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's change in capital asset activity during the year occurred in the improvements totaled \$258,817 at June 30, 2007, compared to \$37,774 reported at June 30, 2006.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 23,100	23,100	0	0	23,100	23,100	0.00%
Construction in progress	0	41,675	0	0	0	41,675	-100.00%
Buildings	1,425,131	1,502,931	0	0	1,425,131	1,502,931	-5.18%
Land improvements	258,817	37,774	0	0	258,817	37,774	585.17%
Machinery and equipment	146,197	139,409	60,637	41,334	206,834	180,743	14.44%
Total	\$ 1,853,245	1,744,889	60,637	41,334	1,913,882	1,786,223	7.15%

Long-Term Debt

At June 30, 2007, the District had \$124,853 in long-term debt outstanding. This represents a decrease of 33.3% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding HVAC loan payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$98,373 at June 30, 2007.

The District had outstanding revenue bonds payable from the Capital Projects Fund of \$26,480 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
HVAC loan	\$ 98,373	160,813	-38.8%
Revenue bonds	26,480	26,480	0.0%
Totals	\$ 124,853	187,293	-33.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The 4% across the board state increase in allowable growth for next year will not be enough to increase new monies, in fact the District will have a decrease due to declining enrollment. This will not be enough to offset a negotiating request of 8-10% increase in salaries.
- The SILO increase allows for increased expenditures that include; a \$1,750,000 gymnasium project proposed for 2007, which will have long-term debt thru 2012. Other proposed projects include; on going carpet replacement, new bus purchase every other year, new automobile purchase in the next couple years, a paving project, an expansion to the bus barn and air conditioning for the cafeteria and kitchen area.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dottie Schiltz, Board Secretary, Manning Community School District, 209 Tenth Street, Manning, Iowa, 51455.

BASIC FINANCIAL STATEMENTS

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP (Note 5)	\$ 1,238,336	0	1,238,336
Other	1,495,595	5,272	1,500,867
Receivables			
Property tax:			
Delinquent	12,558	0	12,558
Succeeding year	1,181,416	0	1,181,416
Income surtax	124,157	0	124,157
Accounts	20,731	88	20,819
Accrued ISCAP interest (Note 5)	73,533	0	73,533
Due from other governments	176,823	0	176,823
Inventories	0	3,846	3,846
Capital assets, net of accumulated depreciation (Note 6)	1,853,245	60,637	1,913,882
Total Assets	6,176,394	69,843	6,246,237
Liabilities			
Accounts payable	52,761	93	52,854
Salaries and benefits payable	425,687	1,118	426,805
ISCAP warrants payable (Note 5)	1,241,000	0	1,241,000
ISCAP accrued interest payable (Note 5)	60,708	0	60,708
ISCAP unamortized premium	6,166	0	6,166
Accrued interest payable	4,520	0	4,520
Deferred revenue:			
Succeeding year property tax	1,181,416	0	1,181,416
Unearned revenue	0	3,433	3,433
Long-term liabilities (Note 7):			
Portion due within one year:			
HVAC loan	64,937	0	64,937
Revenue bond	5,296	0	5,296
Portion due after one year:			
HVAC loan	33,436	0	33,436
Revenue bond	21,184	0	21,184
Total Liabilities	3,097,111	4,644	3,101,755
Net Assets			
Invested in capital assets, net of related debt	1,728,392	60,637	1,789,029
Restricted for:			
Market factor	3,601	0	3,601
Talented and Gifted	6,348	0	6,348
Capital projects	204,856	0	204,856
Management levy	66,682	0	66,682
Physical plant and equipment levy	67,893	0	67,893
Other special revenue purposes	93,413	0	93,413
Unrestricted	908,098	4,562	912,660
Total Net Assets	\$ 3,079,283	65,199	3,144,482

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,802,254	425,202	347,679	(1,029,373)	0	(1,029,373)
Special instruction	402,284	106,185	23,321	(272,778)	0	(272,778)
Other instruction	556,412	168,273	0	(388,139)	0	(388,139)
	<u>2,760,950</u>	<u>699,660</u>	<u>371,000</u>	<u>(1,690,290)</u>	<u>0</u>	<u>(1,690,290)</u>
Support services:						
Student services	110,857	0	0	(110,857)	0	(110,857)
Instructional staff services	193,376	0	0	(193,376)	0	(193,376)
Administration services	567,434	0	0	(567,434)	0	(567,434)
Operation and maintenance of plant services	443,172	0	0	(443,172)	0	(443,172)
Transportation services	144,521	0	0	(144,521)	0	(144,521)
	<u>1,459,360</u>	<u>0</u>	<u>0</u>	<u>(1,459,360)</u>	<u>0</u>	<u>(1,459,360)</u>
Non-instructional programs	5,684	0	0	(5,684)		(5,684)
Other expenditures:						
Facilities acquisitions	104,154	0	0	(104,154)	0	(104,154)
Long-term debt interest	3,308	0	0	(3,308)	0	(3,308)
AEA flowthrough	137,941	0	137,941	0	0	0
Depreciation(unallocated)*	91,527	0	0	(91,527)	0	(91,527)
	<u>336,930</u>	<u>0</u>	<u>137,941</u>	<u>(198,989)</u>	<u>0</u>	<u>(198,989)</u>
Total governmental activities	4,562,924	699,660	508,941	(3,354,323)	0	(3,354,323)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	209,487	127,391	83,950	0	1,854	1,854
Total business-type activities	<u>209,487</u>	<u>127,391</u>	<u>83,950</u>	<u>0</u>	<u>1,854</u>	<u>1,854</u>
Total	<u>\$ 4,772,411</u>	<u>827,051</u>	<u>592,891</u>	<u>(3,354,323)</u>	<u>1,854</u>	<u>(3,352,469)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,247,300	0	1,247,300
Capital outlay				68,160	0	68,160
Local option sales and services				289,662	0	289,662
Unrestricted state grants				1,876,740	0	1,876,740
Unrestricted investment earnings				157,290	159	157,449
Other				131,529	0	131,529
Transfers				(93,431)	0	(93,431)
Total general revenues and transfers				<u>3,677,250</u>	<u>159</u>	<u>3,677,409</u>
Changes in net assets				322,927	2,013	324,940
Net assets beginning of year				<u>2,756,356</u>	<u>63,186</u>	<u>2,819,542</u>
Net assets end of year				<u>\$ 3,079,283</u>	<u>65,199</u>	<u>3,144,482</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,238,336	0	1,238,336
Other	1,033,344	462,251	1,495,595
Receivables:			
Property tax:			
Delinquent	11,580	978	12,558
Succeeding year	1,105,046	76,370	1,181,416
Income surtax	82,771	41,386	124,157
Interfund	46,733	0	46,733
Accounts	10,729	10,002	20,731
Accrued ISCAP interest (Note 5)	73,533	0	73,533
Due from other governments	176,823	0	176,823
Total Assets	\$ 3,778,895	590,987	4,369,882
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ 0	46,733	46,733
Accounts payable	17,721	35,040	52,761
Salaries and benefits payable	425,687	0	425,687
ISCAP warrants payable (Note 5)	1,241,000	0	1,241,000
ISCAP accrued interest payable (Note 5)	60,708	0	60,708
ISCAP unamortized premium	6,166	0	6,166
Deferred revenue:			
Succeeding year property tax	1,105,046	76,370	1,181,416
Income surtax	82,771	41,386	124,157
Total liabilities	2,939,099	199,529	3,138,628
Fund balances:			
Reserved for:			
Market factor	3,601	0	3,601
Talented and gifted	6,348	0	6,348
Unreserved	829,847	391,458	1,221,305
Total fund balances	839,796	391,458	1,231,254
Total Liabilities and Fund Balances	\$ 3,778,895	590,987	4,369,882

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15) \$ 1,231,254

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in in the governmental funds. 1,853,245

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 124,157

Accrued interest payable on long-term liabilities is not
due and payable in the current period and, therefore, is
not reported as a liability in the governmental funds. (4,520)

Long-term liabilities, including the HVAC loan and revenue
bond, are not due and payable in the current period and,
therefore, are not reported in the funds. (124,853)

Net assets of governmental activities (page 13) \$ 3,079,283

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,150,832	412,905	1,563,737
Tuition	531,387	0	531,387
Other	196,299	260,793	457,092
State sources	2,225,266	0	2,225,266
Federal sources	160,415	0	160,415
Total revenues	4,264,199	673,698	4,937,897
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,835,006	2,441	1,837,447
Special instruction	402,284	0	402,284
Other instruction	351,239	200,803	552,042
	2,588,529	203,244	2,791,773
Support services:			
Student services	110,857	0	110,857
Instructional staff services	163,054	25,490	188,544
Administration services	566,594	0	566,594
Operation and maintenance of plant services	357,079	73,597	430,676
Transportation services	138,508	146	138,654
	1,336,092	99,233	1,435,325
Non-instructional:			
Other enterprise operations	5,684	0	5,684
Other expenditures:			
Facilities acquisitions	0	297,249	297,249
Long-term debt:			
Principal	0	62,440	62,440
Interest	0	5,756	5,756
AEA flowthrough	137,941	0	137,941
	137,941	365,445	503,386
Total expenditures	4,068,246	667,922	4,736,168
Excess of revenues over expenditures	195,953	5,776	201,729
Other financing sources(uses):			
Transfers in	0	98,196	98,196
Transfers out	0	(191,627)	(191,627)
Total other financing sources(uses)	0	(93,431)	(93,431)
Net change in fund balance	195,953	(87,655)	108,298
Fund balance beginning of year	643,843	479,113	1,122,956
Fund balance end of year	\$ 839,796	391,458	1,231,254

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 108,298

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 251,540	
Depreciation expense	(143,184)	108,356

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 41,385

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows: 62,440

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,448

Changes in net assets of governmental activities (page 14) \$ 322,927

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 5,272
Accounts receivable	88
Inventories	3,846
Capital assets, net of accumulated depreciation (Note 6)	<u>60,637</u>
Total Assets	<u>69,843</u>
Liabilities	
Accounts payable	93
Salaries and benefits payable	1,118
Unearned revenue	<u>3,433</u>
Total Liabilities	<u>4,644</u>
Net Assets	
Invested in capital assets	60,637
Unrestricted	<u>4,562</u>
Total Net Assets	<u><u>\$ 65,199</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	<u>\$ 127,391</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	81,446
Benefits	22,080
Services	367
Supplies	101,680
Depreciation	3,739
Other	175
Total operating expenses	<u>209,487</u>
Operating loss	<u>(82,096)</u>
Non-operating revenues:	
State sources	2,911
Federal sources	81,039
Interest income	159
Total non-operating revenues	<u>84,109</u>
Change in net assets	2,013
Net assets beginning of year	<u>63,186</u>
Net assets end of year	<u>\$ 65,199</u>

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 126,201
Cash received from miscellaneous operating activities	1,000
Cash payments to employees for services	(103,404)
Cash payments to suppliers for goods or services	(86,467)
Net cash used in operating activities	<u>(62,670)</u>
Cash flows from non-capital financing activities:	
State grants received	2,911
Federal grants received	64,024
Net cash provided by non-capital financing activities	<u>66,935</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(23,042)</u>
Cash flows from investing activities:	
Interest on investments	<u>159</u>
Net decrease in cash and cash equivalents	(18,618)
Cash and cash equivalents at beginning of year	<u>23,890</u>
Cash and cash equivalents at end of year	<u>\$ 5,272</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (82,096)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,015
Depreciation	3,739
Increase in inventories	(1,260)
Increase in accounts receivable	(36)
Increase in salaries and benefits payable	122
Decrease in unearned revenue	(154)
Net cash used in operating activities	<u>\$ (62,670)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 5,272</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$17,015.

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

		<u>Private Purpose</u>
		<u>Trust</u>
		<u>Scholarship</u>
Assets		
Cash and pooled investments	\$	<u>96,108</u>
Net Assets		
Restricted for scholarships	\$	<u>96,108</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 4,356
Contributions	321
Total additions	<u>4,677</u>
Deductions:	
Scholarships	<u>2,000</u>
Income before other financing sources	2,677
Other financing sources:	
Transfer in	<u>93,431</u>
Change in net assets	96,108
Net assets beginning of year	<u>0</u>
Net assets end of year	<u><u>\$ 96,108</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Manning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Manning, Iowa, and the predominate agricultural territory in Crawford, Shelby, Audubon, and Carroll Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Manning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Manning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Crawford, Shelby, Audubon, and Carroll Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government

commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 644,269</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investments Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 68,196
Private Purpose Trust	Special Revenue, Expendable Trust	93,431
Capital Projects	Special Revenue, Student Activity	30,000
		<u>\$ 191,627</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due From and Due to Other Funds

The detail of interfund receivable and payable at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Physical Plant and Equipment Levy	\$ 46,733

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued		Warrants Payable	Accrued Interest Payable
				Interest Receivable			
2006-07A	6/28/06	6/28/07	\$ 0	57,057		0	46,715
2006-07B	1/26/07	1/25/08	723,151	16,322		725,000	13,862
2007-08A	6/28/07	6/27/08	515,185	154		516,000	131
			<u>\$ 1,238,336</u>	<u>73,533</u>		<u>1,241,000</u>	<u>60,708</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2007 was noted.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Business-type activities:				
Machinery and equipment	\$ 90,358	23,042	0	113,400
Less accumulated depreciation	49,024	3,739	0	52,763
Business-type activities capital assets, net	<u>\$ 41,334</u>	<u>19,303</u>	<u>0</u>	<u>60,637</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,100	0	0	23,100
Construction in progress	41,675	0	0	0
Total capital assets not being depreciated	64,775	0	0	23,100
Capital assets being depreciated:				
Buildings	3,890,035	0	0	3,890,035
Land improvements	165,082	234,770	0	399,852
Machinery and equipment	886,885	58,445	0	945,330
Total capital assets being depreciated	4,942,002	293,215	0	5,235,217
Less accumulated depreciation for:				
Buildings	2,387,104	77,800	0	2,464,904
Land improvements	127,308	13,727	0	141,035
Machinery and equipment	747,476	51,657	0	799,133
Total accumulated depreciation	3,261,888	143,184	0	3,405,072
Total capital assets being depreciated, net	1,680,114	150,031	0	1,830,145
Governmental activities capital assets, net	\$ 1,744,889	150,031	0	1,853,245

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 11,327
Other	4,370
Support services:	
Instructional Staff	4,832
Administration	840
Operation and maintenance of plant	12,496
Transportation	17,792
	51,657
Unallocated depreciation	91,527
Total governmental activities depreciation expense	\$ 143,184
Business-type activities:	
Food services	\$ 3,739
Total business-type activities depreciation expense	\$ 3,739

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
HVAC loan	\$ 160,813	0	62,440	98,373	64,937
Revenue bonds	26,480	0	0	26,480	5,296
Total	\$ 187,293	0	62,440	124,853	70,233

Heating, Ventilation and Air Conditioning Project (HVAC)

During the year ended June 30, 2005, the District entered into a loan agreement for \$250,000 to pay for costs related to the HVAC project. Details of the District's June 30, 2007 HVAC indebtedness paid from the Special Revenue, Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	HVAC Loan Dated July 6, 2004			
	Interest Rates	Principal	Interest	Total
2008	3.96 %	\$ 64,937	3,259	68,196
2009	3.96	33,436	662	34,098
Total		\$ 98,373	3,921	102,294

Revenue Bonds Payable

During the year ended June 30, 2006, the District issued \$26,480 in revenue bonds to fund a playground project. The District is responsible for the principal only and an outside entity pays the interest. Details of the District's June 30, 2007 revenue bond indebtedness, which is paid from local option sales and service tax revenues, are as follows:

Issue dated June 20, 2006	
Year Ending June 30,	Principal
2008	\$ 5,296
2009	5,296
2010	5,296
2011	5,296
2012	5,296
Total	\$ 26,480

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$157,173, \$150,893, \$141,981, respectively, equal to the required contributions for each year.

(9) Risk Management

Manning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$137,941 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund				Actual
	Actual	Actual		Original	Final	Variance
Revenues:						
Local sources	\$ 2,552,216	127,550	2,679,766	2,310,025	2,310,025	369,741
Intermediate sources	0	0	0	31,000	31,000	(31,000)
State sources	2,225,266	2,911	2,228,177	2,350,114	2,350,114	(121,937)
Federal sources	160,415	81,039	241,454	257,000	257,000	(15,546)
Total revenues	4,937,897	211,500	5,149,397	4,948,139	4,948,139	201,258
Expenditures:						
Instruction	2,791,773	0	2,791,773	3,324,628	3,324,628	532,855
Support services	1,435,325	0	1,435,325	1,444,100	1,444,100	8,775
Non-instructional programs	5,684	209,487	215,171	240,000	240,000	24,829
Other expenditures	503,386	0	503,386	733,783	733,783	230,397
Total expenditures	4,736,168	209,487	4,945,655	5,742,511	5,742,511	796,856
Excess(deficiency) of revenues over(under) expenditures	201,729	2,013	203,742	(794,372)	(794,372)	998,114
Other financing uses, net	(93,431)	0	(93,431)	(6,000)	(6,000)	(87,431)
Excess(deficiency) of revenues over(under) expenditures and other financing uses	108,298	2,013	110,311	(800,372)	(800,372)	910,683
Balance beginning of year	1,122,956	63,186	1,186,142	1,249,425	1,249,425	(63,283)
Balance end of year	\$ 1,231,254	65,199	1,296,453	449,053	449,053	847,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 66,164	90,854	79,460	236,478	225,773	462,251
Receivables:						
Property tax:						
Current year delinquent	591	0	387	978	0	978
Succeeding year	50,000	0	26,370	76,370	0	76,370
Income surtax	0	0	41,386	41,386	0	41,386
Accounts	0	10,002	0	10,002	0	10,002
Total Assets	\$ 116,755	100,856	147,603	365,214	225,773	590,987
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	\$ 0	0	46,733	46,733	0	46,733
Accounts payable	73	7,443	6,607	14,123	20,917	35,040
Deferred revenue:						
Succeeding year property tax	50,000	0	26,370	76,370	0	76,370
Income surtax	0	0	41,386	41,386	0	41,386
Total Liabilities	50,073	7,443	121,096	178,612	20,917	199,529
Fund balances:						
Unreserved	66,682	93,413	26,507	186,602	204,856	391,458
Total fund balances	66,682	93,413	26,507	186,602	204,856	391,458
Total Liabilities and Fund Balances	\$ 116,755	100,856	147,603	365,214	225,773	590,987

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds							Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:								
Local sources:								
Local tax	\$ 55,083	0	68,160	0	123,243	0	289,662	412,905
Other	8,417	199,891	28,459	0	236,767	0	24,026	260,793
TOTAL REVENUES	63,500	199,891	96,619	0	360,010	0	313,688	673,698
EXPENDITURES:								
Current:								
Instruction:								
Regular instruction	0	0	2,441	0	2,441	0	0	2,441
Other instruction	0	200,803	0	0	200,803	0	0	200,803
Support services:								
Instructional staff	8,675	0	0	0	8,675	0	16,815	25,490
Operation and maintenance of plant services	54,222	0	19,375	0	73,597	0	0	73,597
Student transportation	146	0	0	0	146	0	0	146
Other expenditures:								
Facilities acquisitions	0	0	29,505	0	29,505	0	267,744	297,249
Long-term debt:								
Principal	0	0	0	0	0	62,440	0	62,440
Interest	0	0	0	0	0	5,756	0	5,756
TOTAL EXPENDITURES	63,043	200,803	51,321	0	315,167	68,196	284,559	667,922
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	457	(912)	45,298	0	44,843	(68,196)	29,129	5,776
OTHER FINANCING SOURCES (USES):								
Transfers in	0	0	0	0	0	68,196	30,000	98,196
Transfers out	0	(30,000)	(68,196)	(93,431)	(191,627)	0	0	(191,627)
TOTAL OTHER FINANCING SOURCES (USES)	0	(30,000)	(68,196)	(93,431)	(191,627)	68,196	30,000	(93,431)
NET CHANGE IN FUND BALANCE	457	(30,912)	(22,898)	(93,431)	(146,784)	0	59,129	(87,655)
FUND BALANCE BEGINNING OF YEAR	66,225	124,325	49,405	93,431	333,386	0	145,727	479,113
FUND BALANCE END OF YEAR	\$ 66,682	93,413	26,507	0	186,602	0	204,856	391,458

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys Athletics	\$ 4,024	162	4,186	0
Girls Athletics	12,003	202	10,205	2,000
Activity Tickets	45,000	0	30,000	15,000
FFA	4,000	5,000	0	9,000
Student Council	5,127	0	3,000	2,127
HS Drama	109	1,237	287	1,059
HS Vocal Music	4,753	9,794	7,197	7,350
HS Instrumental Music	599	10,769	8,142	3,226
Athletic Ticket	1,467	1,070	2,435	102
HS Boys Athletic	7,840	51,399	49,136	10,103
HS Basketball	1,297	0	1,297	0
HS Girls Athletics	3,277	19,400	20,092	2,585
HS Activity Tickets	4,009	6,654	8,208	2,455
HS Spanish Club	195	661	750	106
HS Book Club	2,710	2,816	2,052	3,474
HS Business Club	132	687	596	223
Class of 2006	2,792	0	2,792	0
Class of 2007	2,715	0	2,715	0
Class of 2008	226	8,198	5,182	3,242
Class of 2009	60	1,390	0	1,450
Class of 2010	0	156	75	81
Class of 2011	0	1,332	0	1,332
HS Concessions	233	0	233	0
Elementary 3rd Grade	46	0	32	14
Res For Activity	670	44	0	714
High School Resource	9	0	9	0
Kindergarton fundraiser	0	1,013	764	249
HS FFA	3,173	32,397	28,895	6,675
Checking Account Interest	1,885	2,012	3,764	133
HS National Honor Society	47	0	47	0
HS Pep Club	101	1,506	769	838
HS Pop Machine	3,329	6,021	5,170	4,180
HS Other Student Act	447	276	663	60
Sp Ed Class Project Concession Stand	1,864	5,957	16,834	(9,013)
HS Student Council	1,513	19,536	4,709	16,340
HS Yearbook	8,336	10,202	10,567	7,971
Elementary Fundraisers	337	0	0	337
Total	\$ 124,325	199,891	230,803	93,413

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax		\$ 1,563,737	1,314,423	1,239,312	1,196,615
Tuition		531,387	379,173	327,854	265,955
Other		457,092	277,432	197,549	220,970
State sources		2,225,266	2,233,194	2,164,459	1,966,976
Federal sources		160,415	162,135	172,980	148,527
Total		\$ 4,937,897	4,366,357	4,102,154	3,799,043
Expenditures:					
Current:					
Instruction:					
Regular instruction		\$ 1,837,447	2,336,582	1,750,442	1,657,357
Special instruction		402,284	125,094	554,573	493,241
Other instruction		552,042	133,870	332,697	330,712
Support services:					
Student services		110,857	102,234	107,214	109,806
Instructional staff services		188,544	161,799	167,843	153,631
Administration services		566,594	477,684	416,661	391,572
Operation and maintenance of plant services		430,676	437,452	343,047	324,583
Transportation services		138,654	193,640	141,667	134,645
Other support services		0	0	0	155
Non-instructional programs		5,684	0	0	0
Other expenditures:					
Facilities acquisitions		297,249	94,333	247,886	234,688
Long-term debt:					
Principal		62,440	60,039	29,148	0
Interest		5,756	8,157	4,950	0
AEA flow-through		137,941	134,633	132,567	135,749
Total		\$ 4,736,168	4,265,517	4,228,695	3,966,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Manning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Manning Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manning Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Manning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manning Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Manning Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Manning Community School District's financial statements that is more than inconsequential will not be prevented or detected by Manning Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Manning Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the

internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

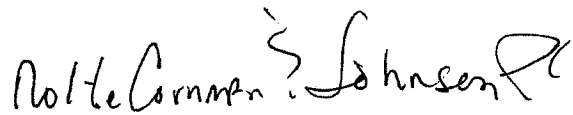
As part of obtaining reasonable assurance about whether Manning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Manning Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Manning Community School District and other parties to whom Manning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Manning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2008

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review procedures and will continue with previous actions taken to utilize other secretarial and administrative staff in the process of cash receipts and deposits. However, in some cases this may be impossible to change, but every attempt to improve procedures will be made.

Conclusion - Response accepted.

- I-B-07 Check Signatures - It was noted in the Activity Fund that a check cleared the bank that had only one signature.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President may designate an individual other than himself to sign checks in his absence.

Response - We will review our procedures to ensure that all checks written have two signatures.

Conclusion - Response accepted.

- I-C-07 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.

- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - District will continue efforts to improve in this area. District already uses pre-numbered tickets for tournament activities. Cash boxes used for events have designated amount in them already. Two ticket takers are assigned to each entrance for football and tournament events. Written procedures have been established which are provided to the workers at each event. Instructions advise ticket takers to return cash boxes to the Administrator on duty at specific time during the event. Administrator secures the cash boxes and locks them in the safe in the Superintendents office. In our continued review to improve our efforts we will have two takers count the money at the time it is turned in to the Administrator on duty. Takers will sign when receiving money and when returning money. The Business Office will as in the past count the receipts the next day, and then will also sign off on the amount that was received.

Conclusion - Response accepted.

- I-D-07 Purchase Orders - We noted during our audit that purchase orders were not always completely filled out. We noted instances of purchase orders having either dates after the merchandise was purchased or no dates at all. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice.

Recommendation - The District should review procedures in place with regard to use of purchase orders, placing the order and subsequent payment. The District should require purchase orders be completed prior to ordering. With the proper use of purchase orders, the District can ensure that purchases are properly approved and authorized before purchasing.

Response - Closer scrutiny is being enforced in this process to ensure they conform to this process. As in the past, we have stressed to the Staff the importance of the purchase order/requisition process. We will continue to reiterate and re-educate the staff on this at their weekly staff meetings, and again at the beginning of the school year.

Conclusion - Response accepted.

- I-E-07 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - Efforts have been stepped up to ensure deposits are made more frequently during the week. Deposits received in the business office continue to be accounted for the day of receipt, and secured in the office safe until such time they are transferred to local banking facility. Assistance has been provided in the Business Office on minimum/as needed basis.

Conclusion - Response accepted.

- I-F-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - Attendance at EOFY and EOCY will continue to be scheduled. All staff involved with any/or all parts will attend or continue to attend.

Conclusion - Response accepted.

- I-G-07 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - District will follow closer maintenance of policy and receipt of documentation of credit card use. Review of current policy will be done to ensure clarity of

accountability is understood. Review of this policy will also be reiterated at the beginning of the school year staff meeting as well as at weekly staff meetings.

Conclusion - Response accepted.

I-H-07 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - With the coding change and cash to GAAP conversion, coding errors existed. Closer coordination and alignment of expenditures/revenue codes will be maintained.

Conclusion - Response accepted.

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 did not exceed budgeted amounts.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - Upon recommendation of the auditors, requests were made to the financial institutions and the District started to receive these images with the July 2007 statements.

Conclusion - Response accepted.

- II-K-07 Financial Condition - The District had a negative account within the Student Activity Fund totaling \$9,013.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods

or services from these accounts. The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - We monitor this account and investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.